

**NORTH SPOKANE IRRIGATION DISTRICT No. 8**  
**Spokane County, Washington**  
**January 1, 1992 Through December 31, 1994**

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**Schedule Of Findings**

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1. North Spokane Irrigation District No. 8 Should Improve Controls Over Utility And Other Receipts

During our review of the billing and cash receipting internal control system, a system which collects in excess of \$185,000 a year, we noted the following weaknesses:

- a. There is no segregation of duties in the cash receipting process. The office manager prepares the billings, writes the receipt and deposits the cash receipt to the county.
- b. There is no management review of the work done by the office manager. Management oversight is essential to establishing strong internal control procedures in districts with a limited number of staff.
- c. The district is not depositing the receipts timely with the county treasurer.
- d. The district is using generic (Redi-form) receipts. Controls cannot be maintained over this type of receipt.
- e. The district does not have a control account for accounts receivable collected at the district office. This control account is essential to establish strong internal controls.

The Washington State Constitution Article XI, Section 15 states:

**DEPOSIT OF PUBLIC FUNDS.** All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depositary to the credit of such city, town, or other corporation respectively, for the benefit of the funds to which they belong.

The concept of internal control as defined in the *Budgeting, Accounting and Reporting System* (BARS) manual, based on criteria established by the U.S. General Accounting Office, states:

An internal control system consists of the plan of organization and methods and procedures adopted by management to ensure that resources use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss and misuse; and that reliable data are obtained, maintained and fairly disclosed in the reports.

Without an adequate internal control system over billings and receipting the district cannot be assured that all money collected is credited to the district's bank account for its benefit. Additionally the district is unable to detect errors and theft in a timely manner, if at all.

We recommend that the district establish controls over billing and receipting.

2. North Spokane Irrigation District No. 8 Should Comply With Bond Reserve Covenants

The district's bond reserves are not sufficient to comply with the bond covenants. A balance of approximately \$45,000 is needed to meet reserve requirements. The reserve at December 31, 1995, was \$37,775. This is sufficient for the 1982 Farm Home Administration loan but not sufficient to meet the requirements of the 1990 revenue bond.

The Farm Home Loan covenants a one year average debt service to be reserved. The 1990 revenue bond covenants a 125 percent of one year average debt service to be reserved.

Interest rates have declined and this fund has not increased as rapidly as projected. The district has sufficient moneys in the Expense Fund to bring this account to the required balance without effecting the district's operations.

We recommend that the district calculate the exact amount of the reserve required to meet bond covenants and transfer the needed moneys into the Reserve Fund.